
From: Barr, James (FTA)
To: Matley, Ted (FTA); Sukys, Raymond (FTA); Rogers, Leslie (FTA); Nguyen, Kim (FTA); Marler, Renee (FTA); Bausch, Carl (FTA); Borinsky, Susan (FTA); Carranza, Edward (FTA); Tahir, Nadeem (FTA); Luu, Catherine (FTA); Day, Elizabeth (FTA); Ryan, James (FTA)
CC: Ossi, Joseph (FTA); VanWyk, Christopher (FTA); Riklin, Sherry (FTA)
Sent: 10/22/2009 9:52:10 AM
Subject: RE: 1st Honolulu rail contract goes to Kiewit Pacific at \$483M
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Quickly on prejudicing the environmental process.

From: Matley, Ted (FTA)
Sent: Thursday, October 22, 2009 2:24 PM
To: Sukys, Raymond (FTA); Rogers, Leslie (FTA); Nguyen, Kim (FTA); Marler, Renee (FTA); Barr, James (FTA); Bausch, Carl (FTA); Borinsky, Susan (FTA); Carranza, Edward (FTA); Tahir, Nadeem (FTA); Luu, Catherine (FTA); Day, Elizabeth (FTA); Ryan, James (FTA)
Subject: 1st Honolulu rail contract goes to Kiewit Pacific at \$483M

Despite the warnings in the PE letter, the article states “city officials are confident the federal government will provide the final approvals needed to allow construction to begin in December.”

By [Sean Hao](#)
Advertiser Staff Writer

Honolulu Mayor Mufi Hannemann yesterday awarded the first construction contract for the city's planned \$5.5 billion elevated commuter rail line.

The \$482.9 million contract went to Kiewit Pacific Co. and was \$90 million less than the \$570 million the city had anticipated spending. The contract covers construction of the first 6 1/2 miles of the 20-mile project. The first phase will run from Kapolei to Pearl Highlands near Leeward Community College.

The contract award puts momentum behind the project and indicates that city officials are confident the federal government will provide the final approvals needed to allow construction to begin in December. What remains to be seen is whether potential lawsuits over the environmental impact could derail those plans.

"We're in the final phase, I believe, of the approvals that we need on a process that started in 2005," Hannemann said during a news conference at Honolulu Community College. "We've come this far, and we're ready to go in such a short time.

"I don't see any show stoppers."

The city is pushing to begin construction in December partly as a means to help stimulate economic growth. The city estimates that construction of the project will generate an average of 10,100 jobs a year for nine years starting next year, including 4,200 direct jobs primarily in the high-paying construction trades. That could help provide a boost to the local economy, which is expected to shrink through 2010.

"Because this economy is in the tank, the sooner we get these contracts out, the sooner we can get people to work (and) the sooner we can employ them and we can help the economy," Hannemann said.

However, a recent study by the University of Hawaii Economic Research Organization predicts the city's rail project will generate at most half that many direct jobs — a peak of 2,000 in 2014. The UH study suggests the near-term economic impact of rail transit could be significantly less than city officials predict.

The sooner transit jobs are created the better, said Kyle Chock, executive director for the Pacific Resources Partnership, which represents construction companies and the Hawaii Carpenters Union. Roughly half of the union's carpenters aren't working right now, he said.

The train project "is going to create jobs, and it's going to help not only stabilize our economy, but in my opinion, help bring us out of this recession," Chock said. "There's no bigger economic stimulus project than the rail-transit project."

Some City Council members who support mass transit have expressed concern that the city is moving too fast on this project. That's because the city still needs several added federal approvals before beginning construction. The transit project could face a lawsuit and possible injunction from environmental/ cultural groups, private landowners or other special interests.

The city's timetable assumes that any such legal challenge will be dispensed with quickly.

City officials also are pre-emptively seeking City Council approval to spend \$300,000 to fight off potential legal challenges to the rail project.

"They should wait until everything is in order, but I guess there is this rush to break ground before the end of the year," said Councilwoman Ann Kobayashi. "It is fast."

Council Chairman Todd Apo said he's been reassured by the Hannemann administration that the city won't be liable for the Kiewit contract if the train isn't built.

"There are provisions within the contract that should this project not get to go forward, that the city is no longer on the hook for \$480 million," he said. "There are escape hatches."

City officials previously had expressed hope that the economic slowdown could lead to lower construction costs. In an effort to take advantage of those lower costs, the city now plans to solicit bids for a \$350 million contract to build the Pearl Highlands-to-Aloha Stadium phase of the project on Nov. 18. That's two years earlier than previously planned.

Lower construction costs could save the city hundreds of millions of dollars during the life of the project, which is expected to be completed in 2019, according to city officials. That could help address an anticipated \$360 million shortfall in local tax collections needed to pay for the project. The city expects to rely on increased federal funds — including diverting federal money intended for TheBus — to help make up for the lower-than-anticipated tax revenue and higher costs, according to a financial plan released earlier this month.

Kiewit is a wholly-owned subsidiary of the privately owned Omaha, Neb.-based Kiewit Corp. It was ranked fifth in a list of the top 400 U.S. contractors in 2009 compiled by Engineering News-Record, a weekly trade magazine.

According to Kiewit's Web site, it has "completed projects from the Arctic Circle to the Gulf of Mexico." The company said it has been in business for more than 125 years. "Our goal for every project is the same — build it safely, on time, on budget and with no surprises," the company said.

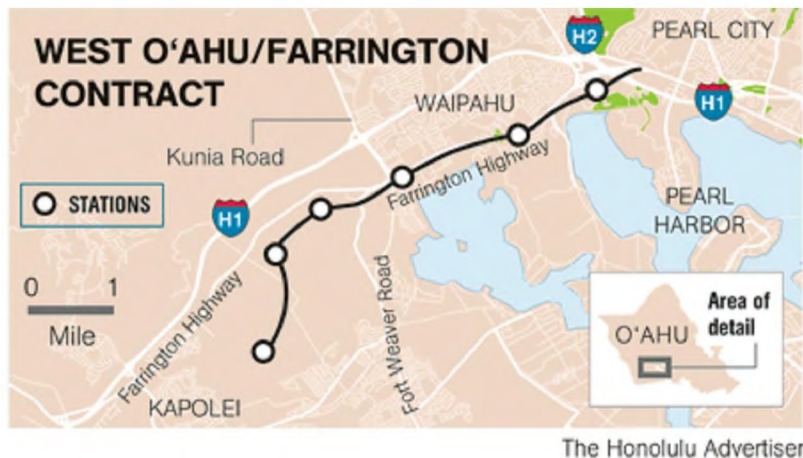
According to city officials, any added unanticipated costs of the East Kapolei to Pearl Highlands phase will be paid by Kiewit.

As for the Kiewit bid coming in \$90 million below the city's expectations, rail opponent Cliff Slater said it's premature to talk about cost savings because, on average, transit projects tend to exceed anticipated costs.

"You don't get savings until the job is over and you see the results of all the change orders that will result," Slater said. "When the dust settles, you'll know what it cost."

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